

INSIDER'S EDGE: Issue 141: MAGI Household Construction for Kids

“Household Construction with Medicaid Marge” would be a wonderful reality show! But we’re not building *real* houses, we’re revisiting some of the Modified Adjusted Gross Income (MAGI) rules for determining eligibility for Medicaid or a Qualified Health Plan (QHP). This issue focuses on special situations involving children.



Let's build a [MAGI] household!

Since it's been a while since we talked about these types of cases, let's get back to basics then tackle a couple of quick scenarios.

A Quick Refresher: Relationship-Based Rules [**\(Readers in a Rush? Scroll Down for the Scenarios!\)**](#)

For purposes of determining eligibility for insurance affordability programs, including Medicaid, in most cases the household includes the people who file federal income taxes together for the taxable year in which the eligibility determination is made.

Tax filer household rules:

- Tax filer is head of household and usually the primary applicant;
- Tax filer's spouse (must file jointly for APTC/CSR);
- Anyone else the tax filer will claim as a tax dependent (i.e. claim a personal exemption deduction for) on that year's tax return.
 - For example, the taxpayer's older children will count toward the family size if the taxpayer claims them as a dependent even if they don't live at home.

Under the tax dependent household rules, the following individuals must be included in the household:

- Tax dependent;
- Tax filer who is claiming the individual as a tax dependent (this could be two people if filing jointly);
- Tax filer's spouse, if living with the tax filer;
- Any other tax dependents the taxpayer(s) claim;
- The tax dependent's spouse if they live together.

There are a number of situations in which the household rules used to determine Medicaid eligibility are different from the general tax-based household rules. When these exceptions arise, the Medicaid household for the applicant is constructed based on the relationships between family members who live together and is not based on tax filing relationships.

So what exceptions trigger use of the relationship-based rules for Medicaid eligibility determinations?

Application of Relationship-Based Rules
1) Applicant is not planning to file taxes (and is not claimed as a dependent).
2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.
3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.
4) Child, under age 21, lives with a custodial parent but will be claimed as a tax dependent by a noncustodial parent.

If one of the exceptions above is triggered, how is the household constructed using the relationship-based rules?

For adults, a household must consist of:

- Adult applying for coverage;
- Adult's married spouse, if living with the applicant; and
- Adult's natural, adopted and stepchildren, or any child for whom they act as a caretaker, up to age 21, if living with the adult.

For children (under age 21), a household must consist of:

- A child applying for coverage.
- Any of the child's parents or stepparents (or adoptive parents), if living with the child.
- Any of the child's siblings or stepsiblings (or adoptive siblings) under age 21 and living with the child.
- If the child is married, the spouse (if the spouse is living with the child); and if the child has their own children, the children and step-children (if living with the married child).

Scenario One: Married Child Living With Parent

Nancy and Jonathan are married and live with Nancy's mother. Nancy and Jonathan do not have children. Jonathan does not plan to file taxes. Does Nancy's mother count in Jonathan's household?

No. This scenario triggers relationship-based rule #1:

- Applicant is not planning to file taxes.

In this case, since Jonathan is an adult, the adult relationship-based rules will apply. In Jonathan's household, we count Jonathan and his wife Nancy since they are married and living together. We would

also count any children that Jonathan and Nancy have, but they do not have any. Under the adult relationship-based rules, we do not count Nancy's mother in Jonathan's household since she is not Jonathan's spouse or child. Therefore, Jonathan has a household size of 2.

Scenario Two: Child living with Grandparent

Lucas is 12 and lives with his grandfather, Will. Will is a widower and receives survivor's benefits, as well as health care coverage through Medicare. Lucas has no income, does not file taxes, and is not claimed as a dependent. Will is not applying for benefits. Does this affect Lucas's household? Would Will's income count toward Lucas's household if Will does not claim Lucas as a dependent on his taxes?

The answer to both questions is no. Whether or not Will is applying for benefits does not impact Lucas's household.

In this case, Lucas's situation triggers exception #1 again (Applicant is not planning to file taxes) since he is not claimed as a dependent by anyone. Lucas is under 21, so child relationship-based rules apply. Lucas does not live with parents or siblings, is not married, and has no children of his own living with him, so he is a household of 1.

What if Will claims Lucas as a dependent?

Lucas would still be considered a household of 1 even if he is claimed as a dependent because the relationship-based rule #2 applies:

- Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.

The outcome would be the same if Lucas were living with another caretaker relative, such as an Aunt or Uncle.

Additional Resources

For more scenarios involving the MAGI household construction rules, check out these back issues:

- [*Issue 75: INSIDER'S EDGE: Issue 70 REVISED--When do the MAGI Relationship-Based Rules Apply?*](#)
- [*Issue 76: INSIDER'S EDGE: MAGI Relationship-Based Rules Continued*](#)
- [*Issue 77: INSIDER'S EDGE: Even MORE MAGI Household Construction Scenarios*](#)
- [*Issue 79: INSIDER'S EDGE: Unmarried Parents—MAGI Household Construction Rules Continued!*](#)
- [*Issue 83: INSIDER'S EDGE: Tax Dependents over Age 21*](#)
- [*Issue 85: INSIDER'S EDGE: Relationship-Based Rules—The Grey Area*](#)
- [*Issue 112: INSIDER'S EDGE: More MAGI Households—Grandchildren Claimed as Tax Dependents*](#)

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